

PRESIDING OFFICER'S DECISION (Mailed 3/19/2002)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Utility Consumers' Action Network,

Complainants,

vs.

San Diego Gas & Electric Company,

Defendant.

Case 00-08-040
(Filed August 28, 2000)

**OPINION ESTABLISHING PERFORMANCE
BENCHMARK FOR ESTIMATED METER ACCOUNTS
AND REPORTING REQUIREMENTS**

I. Summary

This order establishes a progressive performance benchmark for San Diego Gas & Electric Company (SDG&E) for the number of estimated accounts per thousand meters processed and requires SDG&E to maintain accurate records of the estimated accounts and report annually to the Commission on its monthly estimated accounts. This benchmark will be in effect until superseded by later decision, *e.g.*, in the next SDG&E Performance Based Ratemaking (PBR) or General Rate Case (GRC) proceeding.¹

¹ Decision 01-10-030, issued October 10, 2001, deferred the filing of SDG&E's PBR or GRC application for one year, or until the end of 2002, and the application will be based on a 2004 test year.

II. Procedural Background

On August 28, 2000, Utility Consumers' Action Network (UCAN) filed a complaint alleging that SDG&E's meter reading quality for both gas and electric meters, in 1999 and 2000, had deteriorated from historical practice and consumers were prejudiced by the increase in meters being estimated rather than read. SDG&E filed an answer denying the allegations and concurrently filed a motion to dismiss the complaint.² The parties then commenced discovery and an evidentiary hearing was scheduled.

Prior to the evidentiary hearing, the parties engaged in an ordered meet and confer meeting to refine and narrow the issues for hearing. The parties successfully limited the scope of the hearing to two issues: 1) the appropriate benchmark against which to measure SDG&E's meter reading performance; and 2) how the Commission should use the adopted benchmark.

The hearing took place as scheduled with testimony and cross-examination of the UCAN and SDG&E witnesses. The parties then filed post-hearing briefs.

III. Issues

A. Performance Benchmark

SDG&E, like every other utility, must estimate the usage of a certain number of its customers.³ For example, SDG&E must estimate meters when there are access problems [loose dogs/locked gates] or poor weather conditions that prevent meter reading personnel from obtaining an on-site read. The

² Pursuant to an Administrative Law Judge (ALJ) ruling issued March 23, 2001, the motion to dismiss was denied without prejudice.

gravamen of UCAN's complaint was not that some meters were estimated, but that SDG&E's reforms of its meter reading operations in late 1999 had generated an increase in complaints from customers relating to meter reading and billing problems. UCAN's purpose for filing the complaint was to ensure future acceptable performance by the utility.

SDG&E agrees with UCAN that there probably were more customer complaints in the year 2000—but not just because of an increase in the number of meters estimated. SDG&E contends that other factors, such as the end of SDG&E's rate freeze in June 1999, with the result that SDG&E's customers were then charged the actual wholesale cost of energy, prompted customers' complaints. In addition, SDG&E's witness stated that the out-of-control electric prices coincided with changes in the utility's meter reading department. Specifically, SDG&E initiated many changes in its meter reading practices to improve meter reading and reduce costs, and it simultaneously introduced a new data tracking system to measure its meter reading performance.⁴ For these reasons, customers were calling SDG&E with questions concerning their electric bills. SDG&E claims that it satisfactorily answered, clarified, or responded to the customer calls. While SDG&E alleges that its meter reading practices are

³ When a bill is estimated, it is so indicated on the bill and any corrections are posted on the customer's next bill.

⁴ The change in definitions of performance indicators by the utility in 2000 has rendered UCAN's comparison of SDG&E's historical information almost unusable since there is no continuity between the new definitions and the old.

acceptable, it is willing to strive to improve its practices and work towards a performance benchmark.⁵

The task before the Commission is not to insure that every meter is read every month in the SDG&E service territory, but that an acceptable—and attainable—performance benchmark is established. The Commission agrees that billing accuracy is important, especially in times of increasing utility costs and efforts by consumers to conserve, and will establish a benchmark that is aimed at achieving increased billing accuracy.

B. Reporting Requirements

Once a performance benchmark is established, the next question is how should the Commission use the benchmark. UCAN proposes that deviations from the benchmark should trigger a Commission investigation, whereas SDG&E recommends that the benchmark be used for informational purposes only. The Commission has to weigh the burdens UCAN's proposal imposes against the concern that a benchmark without violation consequences might be useless.

IV. UCAN's Proposal

A. Performance Benchmark

UCAN proposes that the Commission establish a benchmark of no higher than 5 estimated accounts per month per thousand meters read averaged over any 12-month period. UCAN supports its plan primarily on the ground that SDG&E had historically achieved levels below 5 per thousand estimates.

⁵ According to a Year 2000 (using 1999 data) survey of estimated meter reads (residential-electric), done by Theodore, Barr & Associates (TB&A), since acquired by Hagler-Bailly, utilizing data from 40 utility companies in North America, SDG&E would rank among the top third in meter reading performance.

The data from SDG&E for percent of bills with estimated meter readings for 1995 through May 2001 indicate that a goal of 5 estimates per thousand is attainable.⁶ UCAN relies on this historical performance as an indicator of what SDG&E did attain, and as support for the need of a performance benchmark to address the evident deterioration in meter reading service in 1999 and 2000. Although SDG&E has not achieved an estimated level at or below 5 per thousand since 1996, UCAN contends that setting a benchmark requiring utility improvement sends a clear message to both the utility and the public that higher standards are appropriate.

UCAN further supports its proposed benchmark by giving little weight to SDG&E's allegations that there is a seasonal component to its estimated bills. Because of the usual mild weather in San Diego and the well-developed road infrastructure, UCAN does not believe that the utility is hampered by the seasons in reading meters. Therefore, UCAN suggests that any weather anomaly, such as snow or severe flooding, is so rare that it should not be factored into the benchmark.

Another "seasonality factor," per SDG&E, is that the senior, experienced meter readers are pulled off their normal tasks during pilot-lighting season and are replaced with call-in meter readers—who might be experienced, or not. UCAN does not think that this seasonality factor should be an excuse for

⁶ Between 1995 and 2001 there were periods where SDG&E's data were questionable due to such occurrences as a change in the utility's customer information systems in 1997 and unusual winter snow storms in early 1995. UCAN removed the questionable data to arrive at its determination that SDG&E could achieve an estimate rate of 5 per thousand.

the utility to lessen performance levels in the fall season, especially since SDG&E can plan its response to pilot-lighting requests.

Finally, UCAN dismisses the last arrow in SDG&E's quiver, that improving meter reading productivity will increase costs, by showing that SDG&E's witness had no ability to compare the costs of the utility's performance in 1995-1998 when it was able to approximate the benchmark recommended by UCAN, to its costs during the poor performance years of 1999-2000.

B. Reporting Requirement

UCAN is concerned that without an enforcement scheme, the benchmark will be a relatively meaningless exercise. UCAN suggests that SDG&E report the performance levels quarterly to the Commission. In the event that the utility either exceeds 7 estimated accounts⁷ per thousand in any one month, or 5 estimated accounts per thousand for any 12-month period, the Commission would automatically initiate a formal review of SDG&E's performance. The review would expose SDG&E to penalties, as warranted under the circumstances.

V. SDG&E's Proposal

A. Performance Benchmark

SDG&E proposes a benchmark of 6.2 estimated accounts per 1,000 meters "processed." SDG&E's argues its proposal is based upon solid data and reasonable proxies, and captures an average of multi-year data that accurately reflects weather and other seasonal factors and "smooths out" the anomalies in

⁷ In addition to reporting to the Commission on a quarterly basis, SDG&E would be obligated to notify the Commission any time any month exceeds 7 estimated accounts per thousand.

the data from the past six years.⁸ SDG&E's proposal utilizes an average of the six years, in sharp contrast to UCAN's recommendation of using the "best" year out of the past six years to establish the benchmark. As discussed above, UCAN contends that setting the benchmark from the best year will require the utility to "stretch" and improve its meter reading practices. SDG&E, however, suggests that using the six year average results in a benchmark that is sustainable over time because the average captures seasonality and other external factors and events that impact meter reading performance.

B. Reporting Requirement

SDG&E agrees that its meter reading performance should be reported to the Commission on a quarterly basis. However, while UCAN urges that any significant deviation from the benchmark should trigger a formal review by the Commission, SDG&E advocates that the reporting information be used for informational purposes only. SDG&E strongly objects to UCAN's plan on the ground that such a mechanism would create an unnecessary and intolerable burden on SDG&E, the Commission staff, and perhaps even UCAN.

VI. Discussion

While the Commission appreciates UCAN's argument that the utility must have an incentive to "stretch" its performance, the Commission wants to encourage SDG&E to improve its service with an attainable and sustainable benchmark. Setting a progressive performance benchmark, one that requires the

⁸ SDG&E excluded year 2000 statistics because that year was a transition year for the utility, while it implemented the terms of a collective bargaining agreement and launched a significant meter reading department reorganization that resulted in more meters being estimated than usual.

utility to improve its performance each year, is a realistic and fair way to proceed.

Therefore, this order establishes a benchmark of 6 estimated accounts per month per thousand meters read averaged over the first 12 months the order is in effect. The benchmark for the following 12-month period will be 5.6 estimated accounts per month per thousand meters read. If by the passage of 24 months time, this order is not superceded by a PBR or GRC decision that addresses the benchmark issue, the benchmark for the next 12-month period will be 5.2 estimated accounts per month per thousand meters read, and the following 12 month period it will be 5.0 estimated accounts per months per thousand meters read. If the benchmark descends to 5.0 before further Commission order, it will remain at 5.0 until addressed again in a subsequent proceeding.

SDG&E is to keep accurate meter reading records and report yearly to the Commission on the number of meters that are estimated per thousand read each month. The benchmark is to be a yearly average. However, if there are any unusual seasonality issues or external factors that cause the utility to exceed the benchmark in any month, SDG&E is to provide the Commission with an explanation as part of its yearly report.

If SDG&E does not attain the established benchmark averaged over the 12-month reporting period, SDG&E must provide data that would justify such a performance failure and set forth a plan to cure the delinquency. This yearly report shall be served on UCAN, and UCAN may comment the report.

The Commission shares UCAN's concern that a benchmark without a sanction mechanism could be meaningless. The record, however, does not support the imposition of an automatic sanction for a monthly or yearly deviation from the benchmark, and without including a sanction or further

investigation as part of this decision, the Commission already has the authority to initiate an investigation of SDG&E's practices—including its meter reading performance levels—whenever the Commission determines such action is justified.

VII. Comments on Draft Decision

The draft decision of the ALJ in this matter was mailed to the parties in accordance with Pub. Util. Code § 311(g)(1) and Rule 77.7 of the Rules of Practice and Procedure. Comments were filed on _____. There were no reply comments.

Findings of Fact

1. There was a marked increase in the number of SDG&E's customer complaints received by UCAN in 1999 and 2000 related to meter reading and billing problems as compared with previous years.
2. SDG&E initiated changes in its meter reading practices in 1999 in an attempt to improve meter reading productivity and reduce costs, and it also introduced a new data tracking system to measure meter reading performance. Both of these factors resulted in an increase of meters being estimated rather than read.
3. UCAN and SDG&E agreed that the establishment of a performance benchmark for the number of estimated accounts per thousand meters read would improve SDG&E's meter reading performance.
4. Improved meter reading performance will promote billing accuracy that will assist customers in monitoring utility costs and conservation efforts.
5. UCAN proposed a performance benchmark of 5.0 estimated accounts per thousand meters read for any 12-month period.

6. UCAN's proposed benchmark was only attained by SDG&E in one year out of the last six years.

7. SDG&E proposed a benchmark of 6.2 estimated accounts per thousand meters read for any 12-month period.

8. SDG&E's proposed benchmark is based on an average of the past six years taking into account seasonality issues and other external factors affecting meter reading.

9. UCAN proposes an enforcement mechanism to insure that SDG&E meets the established benchmark monthly and yearly by reporting quarterly to the Commission and that deviations trigger a Commission investigation.

10. SDG&E agrees to reporting to the Commission on its meter reading performance, but urges that the reports be used for informational purposes only.

11. The aim of a meter reading performance benchmark is to ensure that the utility undertakes its best efforts to improve its meter reading practice to give the customers the highest service level that is attainable and sustainable.

12. A progressive performance benchmark beginning at 6.0 allows for fewer estimates per thousand meters read than the 6.2 proposed by SDG&E, but allows for more estimated meters than the 5.0 suggested by UCAN, and is a realistic compromise that is supported by the record.

13. Requiring SDG&E to keep accurate records and report yearly to the Commission on its meter reading performance allows the Commission, and UCAN, to monitor SDG&E's progress and initiate a proceeding if the information warrants.

14. Commission staff should monitor the impact of this performance benchmark and the reporting requirement and propose revisions as necessary in the next PBR, GRC, or other appropriate proceeding.

Conclusions of Law

1. It is reasonable to establish a progressive performance benchmark for the number of estimated accounts per thousand meters read against which to evaluate SDG&E's meter reading practices.

2. The progressive performance benchmark is fair to SDG&E, will encourage SDG&E to improve its meter reading practices to ensure that its customers receive as accurate bills as possible, and is consistent with our policy of promoting accurate customer billing.

3. This order should be effective today to allow the performance benchmark to be implemented expeditiously.

O R D E R

IT IS ORDERED that the performance benchmark and reporting requirement set forth in Section VI of the foregoing Opinion is adopted. This case is closed.

This order is effective today.

Dated _____, at San Francisco, California.